

Property Tax Levy Rate Freeze vs. Dollar Amount Freeze

January 13, 2010

Background

- ◆ In 1996, Senate File 69 froze the amount of property tax counties could raise for the newly created Fund 10 for Mental Health and Disability Services.
- ◆ Any other property tax freeze has frozen the levy **rate** rather than the dollar amount.
- ◆ The intent was that the State would provide all additional resources needed in future years, but that has not been possible.
- ◆ Over time there have been many changes in the statewide economy and within individual counties, for example, starting new programs, serving new individuals, or changing service delivery to be more efficient.
- ◆ Attempts to accommodate these changes have resulted in a complex formula to distribute state funds to areas that need it the most and funding the Risk Pool when even the formula falls short. But one-time funding in a Risk Pool does not address the long-term needs.

What if . . .

- ◆ If the levy rate had been frozen, counties could have potentially raised an additional \$50,278,526 in 2009 alone. This is 6% of all property taxes levied by counties and **1% of all property taxes** raised by all authorities (school districts, cities, townships, etc.) that year.
- ◆ Polk County illustration on the back of this page is just one county's experience, but shows that the current funding crisis would have been avoided, there would not have been a need to establish waiting lists, and funding of prevention activities would have continued.
- ◆ The number of counties levying the maximum amount allowable was 73 in FY08 and 80 in FY09. Sixty-nine counties levied the maximum in both years.

What are some options?

- ◆ Allow a temporary supplemental levy authority for Fund 10, up to a maximum rate to be determined, while a longer term solution is worked out. This allows local elected officials to determine if the need is great enough to justify the tax increase without affecting other counties' eligibility for state funds.
- ◆ Establish a smaller range of allowable levy rates to establish more equity across the state. Use all state appropriations to provide additional funding in a balanced and equitable approach based on the services provided and the individuals served. Include incentives for implementing evidence-based practices and for carrying out state level core values in a manner that works best for each local community.
- ◆ Additional suggestion has been made to establish the rate freeze based on the current levy rates.

Comparison of Freezing Property Tax Amount vs. Rate Polk County, Iowa

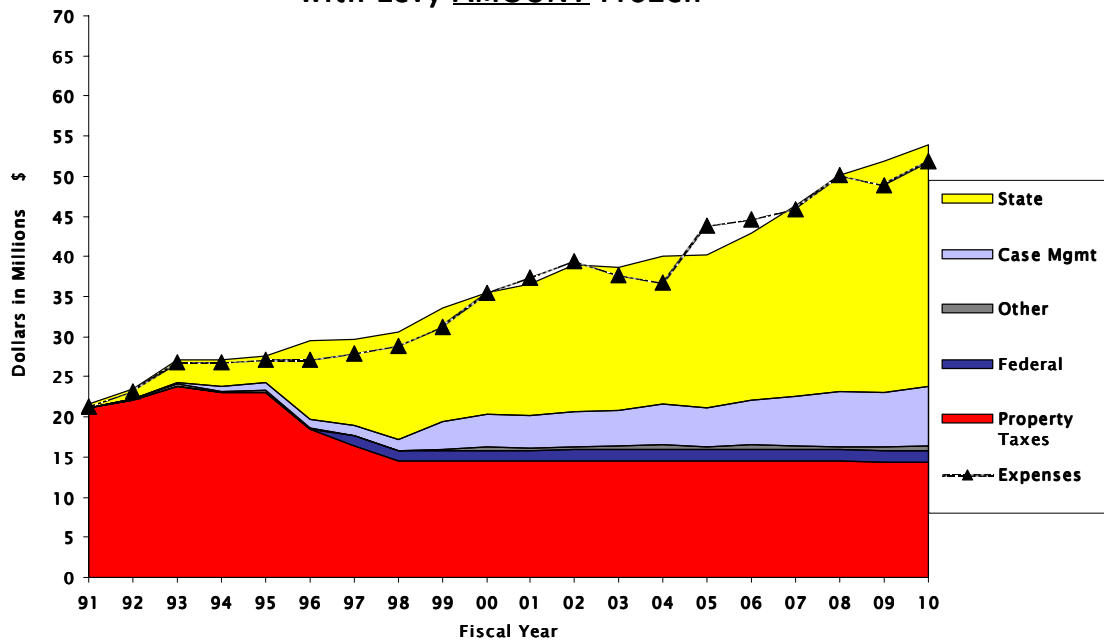
If no change, FY10/11 rate is \$0.80; using original rate of \$1.61 would increase taxes on assessed valuation as follows:

Residential per \$100,000: \$33.24

Commercial per \$1 million: \$815.87

Agricultural per \$100,000: \$76.57

Revenues vs Expenses with Levy AMOUNT Frozen



Revenues vs Uncut Expenses if Levy RATE had been Frozen

